

PX 186

From: Brad Garlinghouse <[REDACTED]@ripple.com>
Sent: Tuesday, June 23, 2020 10:14 PM
To: Chris Larsen
Subject: Fwd: XRP-O Supply - Proposed Solutions
Attachments: XRP-O Supply - Ripple BuyBacks.pdf

----- Forwarded message -----

From: Breanne Madigan <[REDACTED]@ripple.com>
Date: Tue, Jun 23, 2020 at 5:52 PM
Subject: XRP-O Supply - Proposed Solutions
To: Brad Garlinghouse <[REDACTED]@ripple.com>
Cc: Ron Will <[REDACTED]@ripple.com>

Brad,

Thanks for reaching out today. We share concerns regarding new XRP supply in the market and will continue to explore ways we can counteract any negative impact. We've pulled together a few slides outlining our view on causes and proposed solutions / recommendations. We are also working with [REDACTED] to get her input tomorrow and will continue to iterate from here.

Please let me know if you would like to discuss further, and/or if we have your support to move forward with aligning internal stakeholders re: our short term recommendation, which is to buy back XRP directly from our market makers.

All my best,
Breanne

--

Breanne Madigan
VP, Head of Global Institutional Markets
[REDACTED]@ripple.com

Restricted

XRP-O Supply Concerns



Three Potential Narratives

1. **XRP supply, regardless of source, has similar market impact**
2. **XRP supply from Ripple, possibly due to higher visibility, has greater market impact**
3. **XRP supply from XRPO has the greatest market impact**, possibly due to higher visibility, lower natural liquidity and wider spreads

For the purposes of this presentation, **we will assume narrative 3** while we continue to investigate further.

Executive Summary

- XRP began underperforming BTC since the BTC halving in early May - and underperformance has accelerated with the launch of XRP-O
- XRP selling via XRP-O has led to negative pressure on XRP
 - Since the launch of XRP-O on 5/25, more than \$24.5M of XRP sell orders was placed into the market without offsetting buy flow
 - Market participants are aware of XRP-O and the incremental supply, creating a negative perception
- Finance/Markets teams have been focused on a number of supply limiting tactics
- Markets team has also been focused on other utility initiatives
- **XRP-O Repurchasing** could directly dampen the effects of XRP-O selling

⌘ Restricted

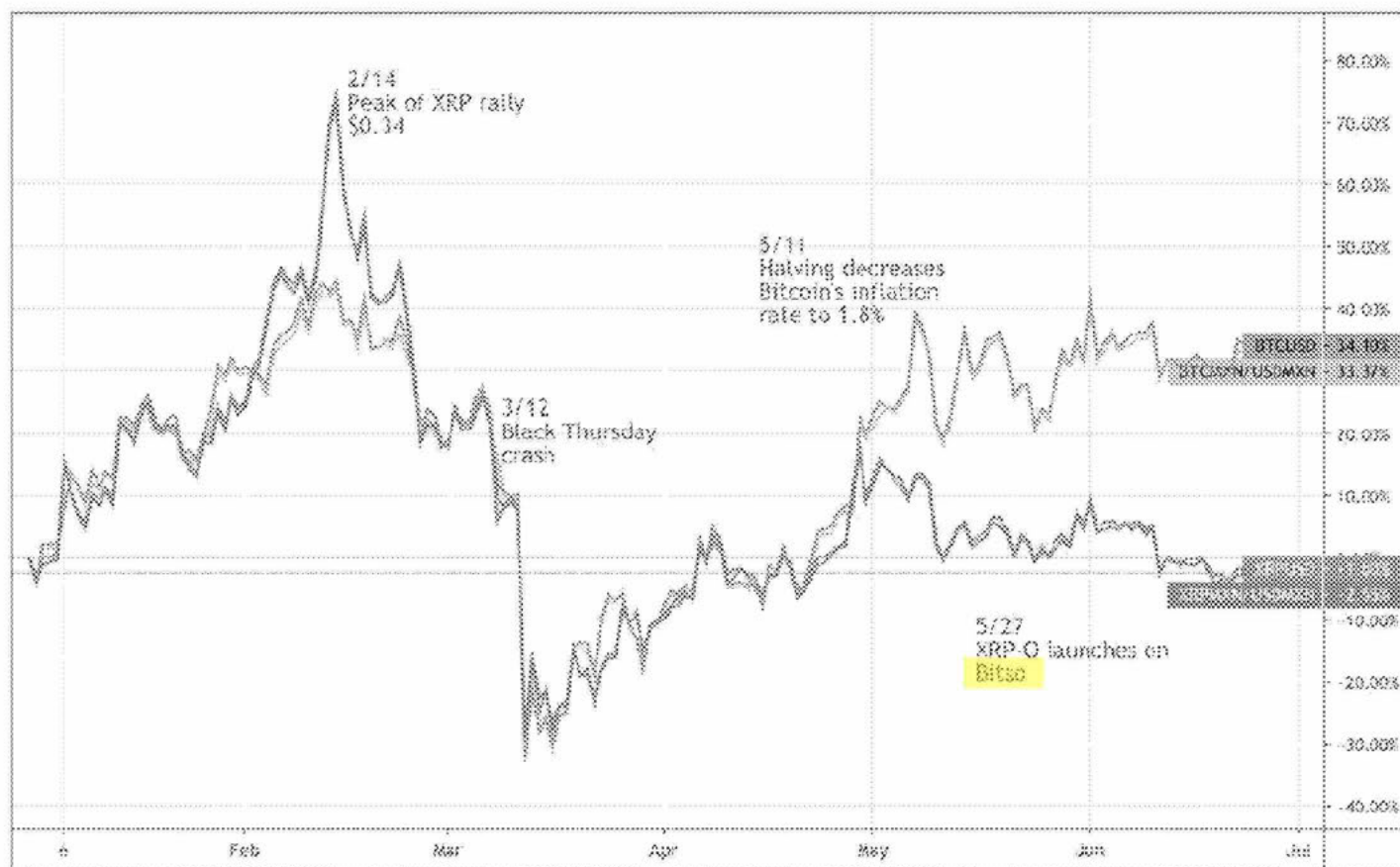
XRP-O and its Effects

- **XRP-O** launched on May 25th with [REDACTED] and May 27th with [REDACTED]

Between May 25th and June 23rd

- **Over \$24.5M** of XRP-O has been executed
- Although the majority of the orders (\$20.3M) were on **Bitso**, Market Maker support was able to dampen the effects on XRP/MXN
- **However, there is evidence that XRP underperformance may be due to increased supply**

XRP underperformance began in May, leading into BTC Halving



Legend

XRP/USD on Bitstamp

XRP/MXN on Bitso

BTC/USD on Bitstamp

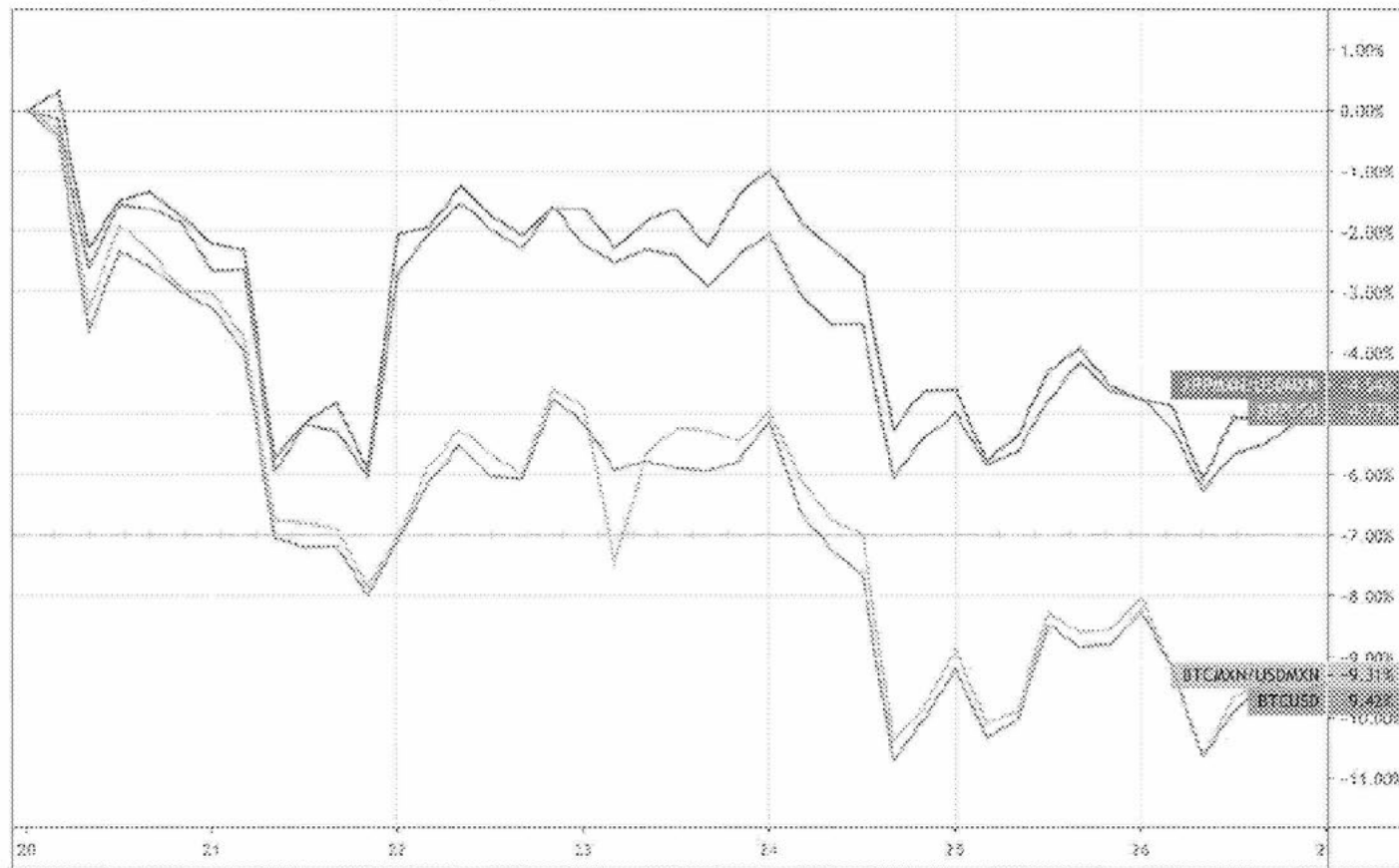
BTC/MXN on Bitso

Note: XRP/MXN and BTC/MXN returns were normalized by dividing by USD/MXN exchange rate

Chart of YTD returns from 1/1 - 6/23

Restricted

Lead-up XRP-0: XRP outperformed vs BTC by 5% 5/20-5/27



Legend

XRP/USD on Bitstamp

XRP/MXN on Bitso

BTC/USD on Bitstamp

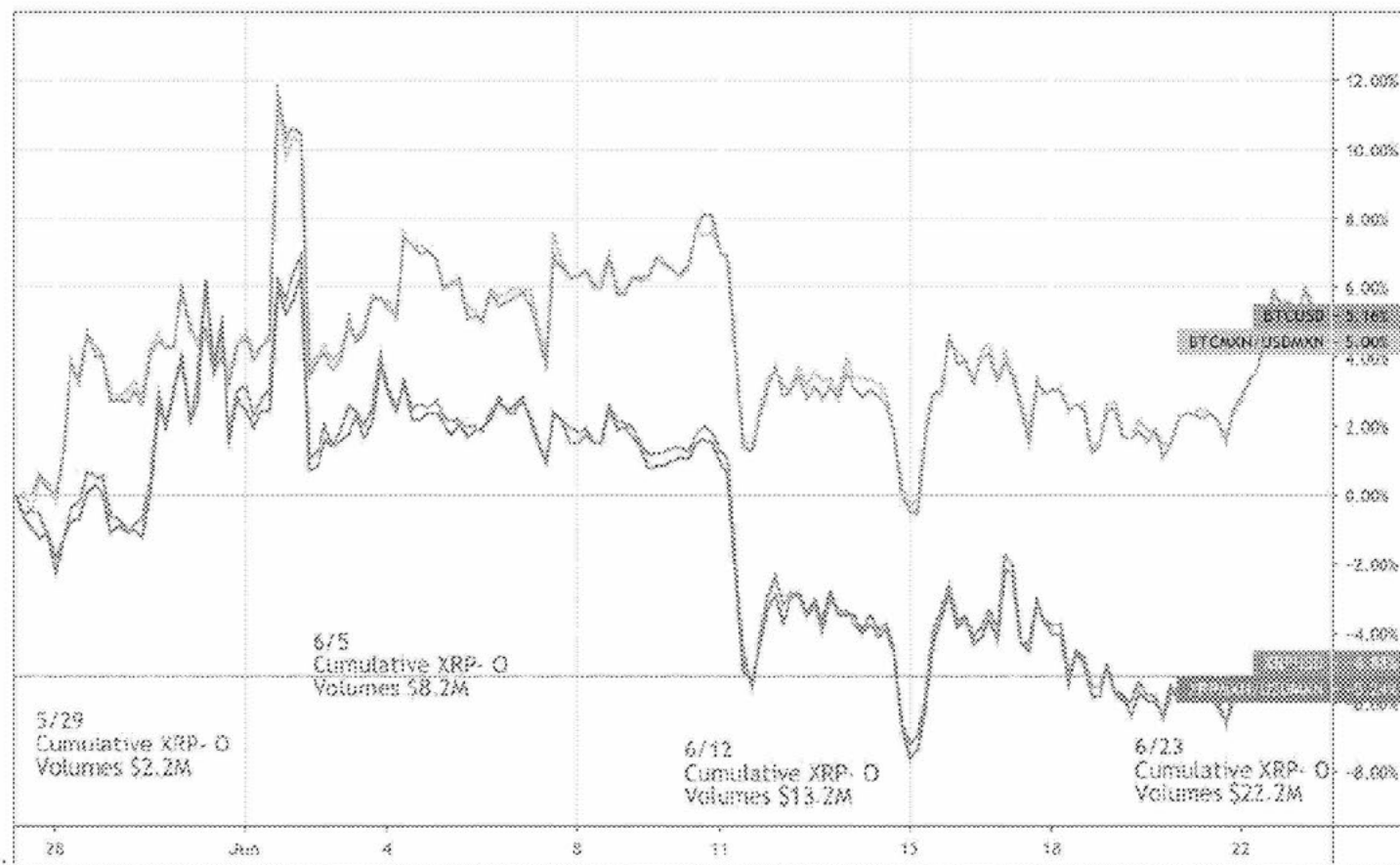
BTC/MXN on Bitso

Note: XRP/MXN and BTC/MXN returns were normalized by dividing by USD/MXN exchange rate

Chart of Cumulative returns from 5/20 - 5/27

◆ Restricted

Since 5/27 (XRP-O Bitso launch) XRP underperformed vs BTC by over 10%



Legend

XRP/USD on Bitstamp

XRP/MXN on Bitso

BTC/USD on Bitstamp

BTC/MXN on Bitso

Note: XRP/MXN and BTC/MXN returns were normalized by dividing by USD/MXN exchange rate

◆ Restricted

Chart of Cumulative returns from 5/27 - 6/23

Current XRP Supply Reduction Tactics

- Reducing XRP supply introduced opportunistically - for example:
 - Ripple for Good
 - [REDACTED] ODL incentives

PRO - Reducing aggregate XRP supply to market

CON - These initiatives are not as visible to market players; more 'behind the scenes' - thus, for market participants watching screens, these efforts may not have as much of an impact on XRP performance as a direct re-purchase program would

Potential Repurchase Initiative for XRP-O: OPTIONS

Option A: Repurchase XRP via MMs on multiple exchanges with 1-3 month pilot

- Pro: daily purchase on programmatic basis, spread across market exchanges
- Con: Using operating budget; if spread across multiple exchanges, perhaps performance equilibrium benefits, but optics not as significant given XRP-O concentrated on Bitso

Option B: Repurchase XRP directly from MMs with 1-3 month pilot

- Pro: Ripple saves MM from selling on the mkt; saves MM paying commissions to sell; avoids MM crossing spread to sell + then Ripple again crossing spread to buy
- Con: Using operating budget to purchase

✦ Restricted

Proposed Repurchase Initiative for XRP-O: OPTIONS

Option C: Repurchase XRP on **BITSO** via MMs (CS), with 1-3 month pilot

- Pro: Addresses imbalance on the exchange where the XRP-O flow is most concentrated
- Con: Using operating budget to purchase; not diversifying w/ multiple exchanges; wider spreads and lower natural liquidity would make this more expensive

Option D: Reduce XRPO volumes and divert/channel them to traditional ODL

- Pro: Aligns w/ supply market can currently absorb (approx 2m XRP/day, ~\$400k @ 0.20px)
- Con: Limits cash flow, places limits on customer XRPO flows and increased product complexity in switching from regular ODL to XRPO.

Option E: Stop XRPO Altogether

- Pro: Reduced incremental XRP supply
- Con: Less responsive to requests from ODL customers re: quality of experience

⌘ Restricted

Recommendation: XRP Buybacks and Limit XRP-O Supply

Option B: Ripple buy XRP from MMs

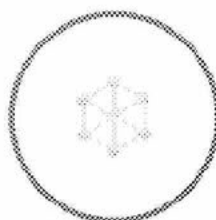
- Short Term Plan - Ripple buys back XRP from Market Makers
- Long Term Plan - Ripple works with Newco / develops in-house expertise

Considerations:

- Will require internal stakeholder alignment between legal, finance, and tax
- Purchasing would be on a daily programmatic basis, relative to XRP-O volumes
- Data team involvement to evaluate projected and real-time results
 - i.e. what % of total XRP-O do we intend to buy back?
 - i.e. what impact is Ripple purchasing having on market performance?

✦ Restricted

XRP Markets Utility Initiatives



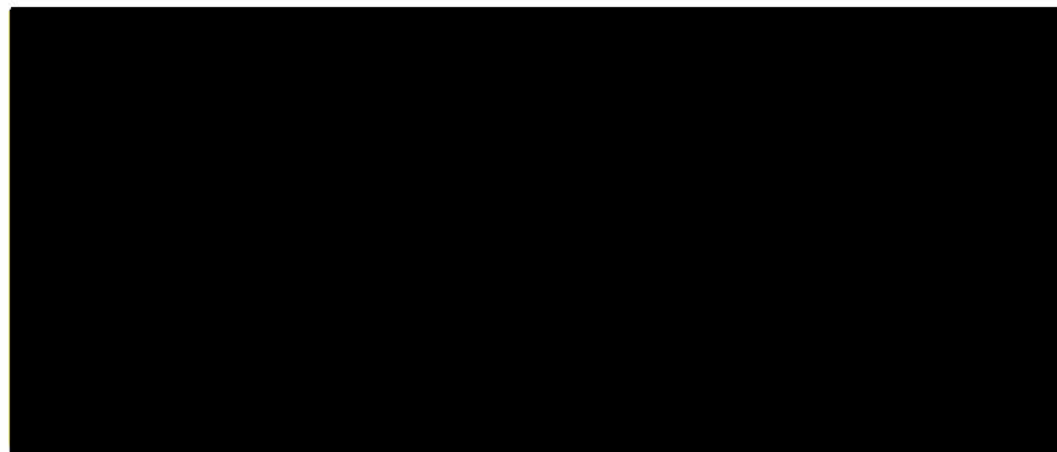
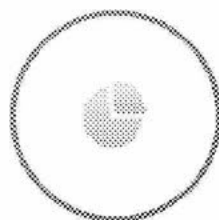
XRP as Preferred Asset for Traders

- Preferred base pair initiative socialized with 20 top market participants
- **Binance** and **Liquid Exchange** open to expanding XRP pairs
- Next steps: 1-pager in final review, moving to partnership discussions next week



XRP Infrastructure

- [REDACTED] announced XRP integration
- [REDACTED] to announce integration into DAPPI in the coming days
- [REDACTED] partnership proposal in support of XRP AM product



As of 18-Jun-2020

⦿ Restricted

Other Initiatives Underway

- **Thought Leadership Content**
 - O1 Markets Report
 - Liquidity as lifeblood of ODL
 - XRP as a preferred base for arb traders
 - XRP for exchange transfers
 - Blockstars podcast

Customer testimonials around exchanges leveraging XRP:

- Bittrue Reaps the Rewards of Putting XRP at the Center of its Digital Assets Platform
- BTC Markets Drives Sustainable Growth of Its Exchange with XRP

- **XRP Supply analysis** here
- **XRP Inflation** - New inflation calc methodology to counter [REDACTED] others
 - New methodology recommendation determined
 - Next steps work with marketing/comms to refine narrative for go-live

● Restricted